

**FINAL REPORT
OF THE
INTERIM STUDY COMMITTEE
ON
EDUCATION ISSUES**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
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Interim Study Committee on Education Issues

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FINAL REPORT

Interim Study Committee on Education Issues

I. LEGISLATIVE COUNCIL DIRECTIVE

The Legislative Council directed the Committee to do the following:

1. Study the use of guaranteed energy savings contracts by governmental units.
2. Study Indiana's special education co-op system.
3. Study school finance issues.
4. Study the process used to determine the amount of funds distributed to the school corporations.
5. Study programs to attract and retain quality K-12 teachers.

II. INTRODUCTION AND REASONS FOR STUDY

1. Guaranteed Energy Savings Contracts by Governmental Units

The study is based on HR 130-2001. HR 130-2001 requests the study committee to find a method for establishing guidelines to clarify, for schools and local governments, the basis upon which guaranteed energy savings contracts are to be negotiated including

- a. providing for energy conservation measures that reduce energy consumption or reduce operating costs, including future labor and contracted services;
- b. providing for future cost avoidance for capital projects related to energy conservation and reduced energy consumption; and
- c. providing up front and ongoing documentation of cost savings anticipated and realized under a guaranteed energy saving contract.

The Committee received testimony from the Department of Commerce, the State Board of Accounts, and interested parties. The Committee requested the Department of Commerce to organize a working group to study possible recommendations to the Committee.

2. Study Indiana's Special Education Co-op System.

The study is based on SR 20-2001. The special education co-op system was initiated as part of Indiana's 1969 special education mandate. Since 1969, there have been changes in the special education delivery system and the standards and accountability system. Federal law requires the inclusion of special education students in the new assessment and accountability measures, and the special education co-op systems create challenges in complying with the new requirements.

3. Study School Finance Issues

The study is based on HB 2006-2001. HB 2006-2001 requested the Committee to study:

- a. state funding provided for K-12 special education and preschool special education students;
- b. whether the at-risk index in the school formula should be modified;
- c. whether some form of a training and experience index should be included in the school formula;
- d. whether to include limited English proficiency as a grant program in the school formula calculations; and
- e. taxpayer equity and student equity under Indiana's school finance system.

4. Study the Process Used to Determine the Amount of Funds Distributed to School Corporations.

The study is based on SCR 7-2001. The Committee, after discussions with Senator Long limited the topic to the effect of the passage of a referendum by a local school on the amount of funds the school would receive from the school formula.

5. Study Programs to Attract and Retain Quality K-12 Teachers.

The Legislative Council directed the Committee to study this topic. It is projected that a majority of the current teaching force could retire in the next five years. Additionally, a significant percentage of new teachers leave the profession within their first five years of service.

III. SUMMARY OF WORK PROGRAM

The Committee was scheduled to meet six times. Testimonies were presented during four of the meetings. The second meeting was canceled. The Committee approved the report at the last meeting.

August 28th - The Committee received testimony at its meeting on the guaranteed energy savings contract program.

September 11th - The meeting was canceled due to the national emergency situation caused by the destruction of the World Trade Center.

September 20th - The Committee received testimony on Indiana's special education co-op system.

October 2nd - The Committee received testimony on:

1. taxpayer and student equity issues in the school formula,
2. need for a training and experience index in the school formula,
3. use of the at-risk index in the school formula,
4. limited English proficiency,
5. referendum's effect on the school formula,

6. funding of technology and equipment, and
7. funding of special education.

October 16th - The Committee received testimony on:

1. teacher licensing issues and workforce trends in Indiana,
2. why teachers leave the profession,
3. effective teacher recruitment and retention strategies in the Midwest, and
4. local perspectives on teacher recruitment and retention.

October 23rd - The Committee approved the final report.

IV. SUMMARY OF TESTIMONY

1. Guaranteed Energy Savings Contracts by Governmental Units

Richard Rowley, general legal counsel for the Department of Commerce, provided background information on the energy saving contract program. The Department developed guidelines and receives annual reports from local units of government.

Gavin Williams, Building Efficiency Program Manager for the Energy Policy Division of the Department of Commerce, explained the process schools use to develop an energy saving contract program.

Representative Brian K. Hasler provided testimony on the history of the guaranteed energy saving program legislation and noted that the guidelines may need to be clarified. He also recommended changes to the current statute.

Representative Michael D. Smith supported the testimony of Representative Hasler.

Dr. Brad Snyder, Superintendent of New Albany-Floyd County Schools, explained how his school had benefited from the use of guaranteed energy savings contracts.

Dr. Robert Poffenbarger, Superintendent of Rochester Community Schools, explained how his school used the guaranteed energy savings contract program. The contract provided a guarantee of quality from the provider.

Mike Rogina, Auditor for the State Board of Accounts, distributed selected portions of State Board of Accounts audits of guaranteed energy saving programs. Audits have found a lack of documentation at the local level.

Susan Gordon, Staff Counsel for the State Board of Accounts, explained that the Board of Accounts was not opposed to the program, but needed documentation of savings. She also expressed concern about stipulated savings in the contracts.

Phelps Nichols, a Parke County resident, expressed concern about a guaranteed savings contract for the Parke County Courthouse.

Jennifer Hayes from the Parke County Historic Landmark & Preservation Society explained her experience with the Parke County Courthouse guaranteed energy savings contract.

William J. Snodgrass, Mussett, Nichols & Associates, testified that the guaranteed energy savings contracts are a good financing tool if used properly, but the process can be abused.

Grant Smith, Citizens Action Coalition of Indiana, provided the Committee with research on energy saving done by the coalition.

Jim Straeter, a Rochester Indiana resident, testified that he was troubled by the lack of documentation for Rochester Community Schools' guaranteed savings contracts.

David Bottorff, Association of Indiana Counties, told the Committee that the guarantee energy savings contract program is a great program when used properly.

Dr. Roger Thornton of the Indiana Association of Public School Superintendents explained that guidelines are different from rules, and sometimes the only way to increase insulation for a roof is to replace the roof.

Frank Bush, Indiana School Board Association, reviewed the guaranteed energy savings contract statute.

Denny Costerison, Indiana Association of School Business Officials, explained that the guaranteed savings contracts are an important funding tool for schools with low assessed valuation.

2. Indiana's Special Education Co-op System

Amy Cook Lurvey from COVOH Inc. provided the Committee with a historical description of her involvement with Indiana's special education system. She testified that while changes have occurred in regular education, special education had not kept pace and may need more time to implement the new standards.

Robert Marra, director of Special Education for the Department of Education, provided the Committee with the history of special education in Indiana and explained his responsibilities in the special education system. Mr. Marra described the different type of special education cooperatives in Indiana and answered questions about the testing of special education students.

Sally Sloan, Indiana Federation of Teachers, told the Committee that special education co-ops allowed schools to offer services that could not be offered individually.

Bill Dreibelbis from the Indiana Council of Administrators of Special Education explained his experiences as a director of a special education co-op.

Marilyn Edwards from the Indiana State Teachers Association told the Committee that teachers and staff need to work cooperatively to provide services and not worry about “my kids and our kids.”

Frank Busch, School Board Association, told the Committee that sometimes when a special education student is placed in a classroom, adequate resources to meet the student’s needs are not available.

Dr. June R. Gaktrott, Instructional Services, provided the Committee with an example of a classroom placement without adequate resources.

3. School Finance Issues

Dr. Neil Theobald from the Indiana Education Policy Center presented his paper entitled “Indiana’s Performance in Meeting its School Funding Goals 1992-2003.”

Dr. Stella Batagiannis, Superintendent of the West Lafayette School Corporation, explained the special problems confronting her school corporation.

Ken Barnes, Treasurer of the West Lafayette School Corporation, told the Committee that his schools costs have increased faster than the school formula revenue provided by the state.

Dr. Ed Eiler, Superintendent of the Lafayette School Corporation, explained to the Committee that about 80% of the difference in school formula revenue per student can be explained by differences in the school’s training and experience of teachers. He also told the Committee that the Indiana Association of School Business Officials is studying the cost difference among schools. Dr. Eiler expressed concern that schools might face future litigation if adequate resources are not provided to limited English proficient students.

Charles Little of the Indiana Urban Schools Association told the Committee that it is important that the school formula reflect the different needs of schools. He explained to the Committee that it takes about two years to integrate a limited English proficient family into a community.

Dr. Roger Thornton of the Indiana Association of School Superintendents told the Committee that his organization is working with Dr. Theobald to study school needs with similar enrollments.

Terry Spradlin from the Department of Education distributed a document entitled “Indiana’s Changing Demographics and English Language Learners” and a summary technology initiatives in Indiana.

Ron Gifford, representing the Indianapolis Public School Corporation, told the Committee that the Indianapolis Public School Corporation spends much more on limited English proficient students than the school receives from the state.

Chairperson Lubbers read a letter from Senator David Long expressing the need to change the way the school formula affects schools that pass a voter's referendum.

Dr. Brian Smith, Superintendent of Southwest Allen School Corporation, explained how the current school formula can eliminate the additional revenue generated by a school referendum.

4. Programs to Attract and Retain Quality K-12 Teachers

Terry Spradlin representing the Department of Education discussed the current teacher shortage situation in Indiana.

Dr. Marie Theobald, Executive Director of the Professional Standards Board, discussed teacher licensing issues and workforce trends in Indiana.

Dr. Neil Theobald from the Indiana Education Policy Center presented his paper entitled "Teacher Turnover: Preliminary Data for Indiana."

Rhetta Detrich from the North Central Regional Educational Laboratory presented a May 2001 report entitled "Effective Teacher Recruitment and Retention Strategies in the Midwest: Who is Making Use of Them?"

Mr. Bill Cook representing the Gary Community Schools provided the Committee with a copy of Gary School Corporation's "Strategic Recruiting Plan 2000-2006."

Carol Craig from Indianapolis Public Schools discussed her paper entitled "Indianapolis Public School Teacher Recruitment and Retention."

J. Scott Turney representing the Indiana Small and Rural School Association discussed the problems small and rural schools have attracting and retaining qualified staff.

Dr. Lois A. Meijer representing the Indiana Nonpublic Education Association discussed the effects of turnover on private schools.

Jennifer Budthuis from Valparaiso University told the Committee that she agreed with Ms. Detrich's report.

Ms. Marilyn Edwards for the Indiana State Teachers Association provided the Committee with a document entitled "ISTA Position Statements on Teacher Quality."

Amy Cook Lurvey from the Council of Volunteers and Organizations for Hoosiers with Disabilities provided the Committee a paper entitled "Who Will Teach Indiana's Children With Disabilities."

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made the following findings of fact:

1. Guaranteed Energy Savings Contracts by Governmental Units

The Committee finds that the guaranteed energy savings contract program should continue. The guidelines need to be updated by the Department of Commerce. The contracts should include greater documentation of the energy savings, and a copy of the contract should be forwarded to the Department of Commerce. In some cases the savings have been stipulated with no basis for the stipulation. The contract generally is not reviewed by a third party to verify potential savings.

2. Indiana's Special Education Co-op System

The Committee finds that the special education co-op system has provided needed services to students and should continue, but the Department of Education should review the services provided by special education co-ops and investigate if better delivery methods are available to provide needed services. The changes in the state's standards and accountability system have created challenges to the special education co-op system. It may take more time for the system to make the necessary changes in Individual Education Profiles in order for special education students to meet the new standards. The inclusion of a special education co-op may affect a school's rating for accountability measures.

Schools are a valuable source for providing services to special education students, but in some instances a school may not be an eligible provider for some state programs.

3. School Finance Issues

a) K-12 Special Education and Preschool Special Education Funding

The federal government is doing a cost study on special education. The state provided additional funding for the study to provide more information about the cost of special education in Indiana. The study will not be finished in time for inclusion in this report. The Preschool Special Education Grant has remained flat since 1992 and is not based on the severity of the disability.

b) Modification of At-Risk Index in School Formula

The 2001 General Assembly modified the index used in the school formula to include the percentage of students eligible for free lunch and the percentage of students eligible for the limited English proficiency program. The change appears to benefit several schools, but further research is needed to analyze the impact on schools.

c) Use of a Training and Experience Index in School Formula

The Committee finds that since approximately 90% of school costs are salary-related, some form of training and experience index is reasonable. Further work is needed to determine how the index would be calculated and the impact of the index on school corporations.

d) Include Limited English Proficiency as a Grant Program in School Formula

The Committee finds that the changes in the 2002 school formula provide additional

funding to some schools with limited English proficient students. The addition of the percentage of students participating in the limited English proficiency program was an important factor to include in the tuition support formula. Further research is needed to assess if the additional resources are adequate and if schools received additional funding.

e) Technology and Equipment Funding

The Committee finds that the current method of funding technology and equipment has worked well. No changes were recommended to the Committee. If the Carl Perkins funds that are currently used for vocational equipment decrease, then the state will want to review funding of vocational equipment.

f) Taxpayer Equity and Student Equity

The Committee finds that from 1993 to 2003, the state's school formula has:

- made positive progress in eliminating the effect of a school district's wealth on its operating revenue;
- made positive progress in providing higher funding to school districts with disadvantaged students;
- not made progress in equalizing school revenue per pupil across school districts; *
- made progress in increasing school revenue per pupil;
- made progress in increasing the share of school revenue provided by the state;
- made progress in equalizing property tax rates across school districts;
- made progress in requiring that school districts receiving revenue above the foundation level, must levy higher property tax rates than school districts funded at the foundation level; and
- not made progress limiting increases in property taxes.

* Indiana has succeeded in equalizing school formula revenue among Indiana's school districts. While the measures of equalization among school districts have deteriorated, the measures still show Indiana has equalized school formula revenue. A variation of 39.6% from average of the 30 highest revenue-per-student schools to the average of the 30 lowest revenue-per-student schools is a goal other states would like to achieve.

g) Effects of the Passage of a School Referendum on the School Formula

The Committee finds that the school formula effect of the passage of a local referendum varies among schools. For some schools the increase in funding generated by the referendum is negated after a few years.

4. Programs to Attract and Retain Quality K-12 Teachers

The Committee finds that Indiana has not experienced the significant teacher shortages which other states have experienced. However, the state is experiencing:

- severe shortages in the special education area;
- continuing problems in recruiting and retaining mathematics and science teachers;

- continuing problems by urban and rural schools to recruit and retain teachers;
- a surplus of elementary school teachers; and
- an aging teaching force which could lead to an increase in the shortage of teachers over the next five years.

Several of the strategies proposed by local schools include:

- loan-forgiveness programs with a commitment to teach for a specified number of years in a shortage area;
- programs that encourage limited licensed, substitute teachers, and paraprofessionals to become licensed teachers in shortage areas;
- programs to promote the certification of rural teachers in more than one teaching area;
- programs to expand the U S Department of Education's Transition to Teaching Program;
- programs that would allow schools to hire retired teachers without interfering with their retirement income;
- programs to relocate students from historically black colleges and universities to do their internship or student teaching;
- programs to bring graduates from historically black colleges and universities to visit Indiana schools for a weekend or over spring break; and
- programs that provide financial assistance to urban school districts to allow for minimum salaries in order to compete with surrounding districts.

The Committee made the following recommendations:

1. Guaranteed Energy Savings Contracts by Governmental Units

The General Assembly should make changes in the Guaranteed Energy Savings Contract Law used by school corporations and political subdivisions, including the addition of definitions for certain significant terms.

2. Indiana's Special Education Co-op System

The Department of Education, Division of Special Education, should conduct a study of special education cooperatives to determine if the "joint services" model of special education cooperative structure and operation continues to be an effective and efficient method of special education service delivery in the 21st century.

Legislation should require the director of the Division of Special Education for the Department of Education to coordinate an interagency task force to review services and funding sources available for children and young adults with disabilities. The legislation should also require the task force to submit a report to the executive director of the Legislative Services Agency, the State Superintendent of Public Instruction, the Secretary of the Office of Family and Social Services, and the Commissioner of the State Department of Health.

3. School Finance Issues

The General Assembly should continue to study and modify the current school formula to provide different levels of funding based on a student's characteristics and needs.

4. Programs to Attract and Retain Quality K-12 Teachers

The General Assembly should continue to study programs to attract and retain quality K-12 teachers.

WITNESS LIST

Richard Rowley, Department of Commerce
Gavin Williams, Department of Commerce
Representative Brian K. Hasler
Representative Michael D. Smith
Dr. Brad Snyder, New Albany-Floyd County Schools
Dr. Robert Poffenbarger, Rochester Community Schools
Mike Rogina, State Board of Accounts
Susan Gordon, State Board of Accounts
Phelps Nichols, Parke County resident
Jennifer Hayes, Parke County Historic Landmark & Preservation Society
Grant Smith, Citizens Action Coalition of Indiana
Jim Straeter, Rochester Indiana resident
David Bottorff, Association of Indiana Counties
Dr. Roger Thornton, Indiana Association of Public Superintendents
Frank Busch, Indiana School Boards Association
Denny Costerison, Indiana Association of School Business Officials
Amy Cook Lurvey, Council of Volunteers & Organizations for Hoosiers w/ Disabilities Inc.
Robert Mara, Department of Education
Sally Sloan, Indiana Federation of Teachers
Bill Dreibelbis, Indiana Council of Administrators for Special Education
Marilyn Edwards, Indiana State Teachers Association
Dr. June R. Gaktrott, Instructional Services
Dr. Neil Theobald, Indiana Education Policy Center
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Charles Little, Indiana Urban School Association
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